

Taking the Mystery Out of the Statement of Financing

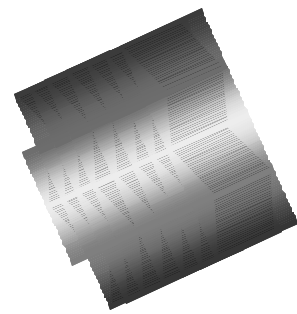
Presented By:

Michael K. Lamb
President and CEO

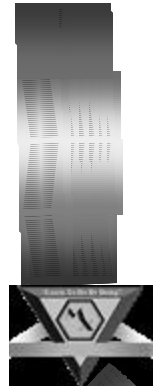


- Mekelexx
Management
Services, LLC

Origin and Passing

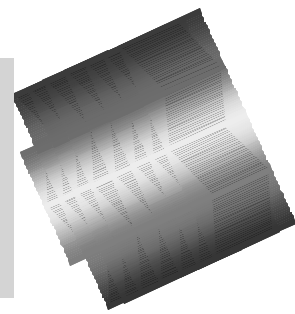


- **FASAB**
 - **Concept #2 Entity and Display**
 - **SFFAS #7 Implementation Guide**
- **A-136**
 - **Required SOF**
 - **Moved SOF to Footnote (29 June 2007)**



FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD

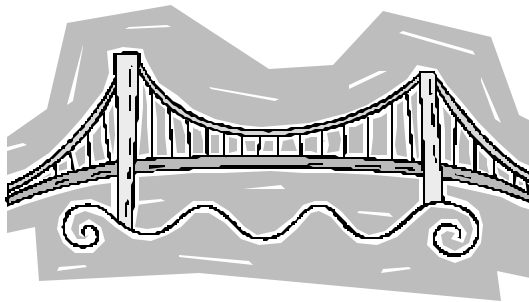
The Statement of Financing (SOF)



- The SOF Is The Bridge Between An Entity's Budgetary And Proprietary Accounting

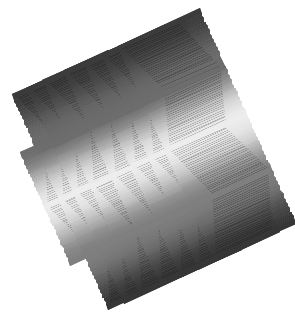


**Budgetary
Accounting**

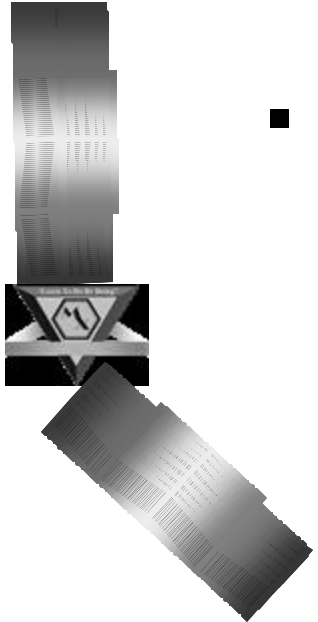


**Proprietary
Accounting**

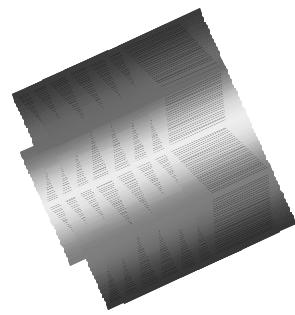
Accrual Based Proprietary Accounting



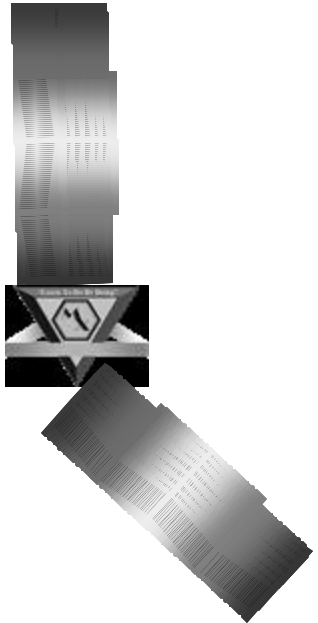
- **Revenues Are Recognized At The Time Of The Sale Of Services Or Merchandise**
- **Expenses Are Recognized At The Time Services Are Received And Used In The Production Of Revenue**



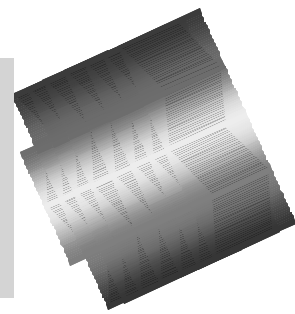
Obligation Based Budgetary Accounting



**Obligations Are Recorded At The
Time Of A Legal Commitment
Between The Government And
Another Party**



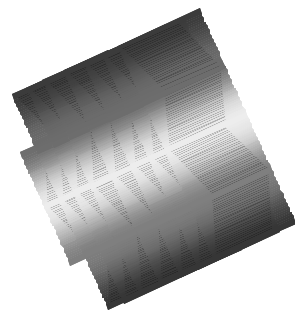
Transactional Differences



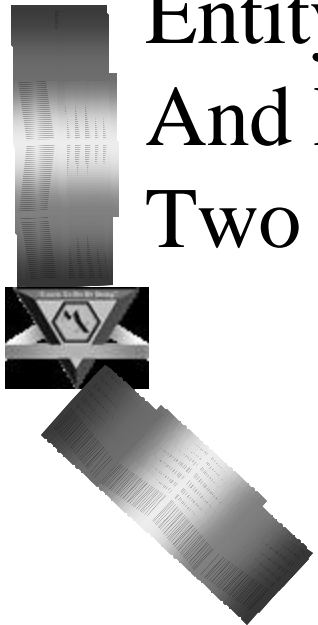
- Most Entity Transactions Are Recorded In Both Budgetary And Proprietary Accounts
- Because Different Accounting Bases Are Used For Budgetary And Proprietary Accounting, Some Transactions May Appear In Only One Set Of Accounts (e.g., Accrual Of Environmental And Disposal Liabilities Or Depreciation Which Is Recorded Only In The Proprietary Records)
- Not All Obligations Or Offsetting Collections May Result In Expenses Or Exchange Revenue (e.g., Purchase Of A Building Is Capitalized On The Balance Sheet, Not Expensed In The Proprietary Accounts But Obligated In The Budgetary Accounts)



Purpose of SOF

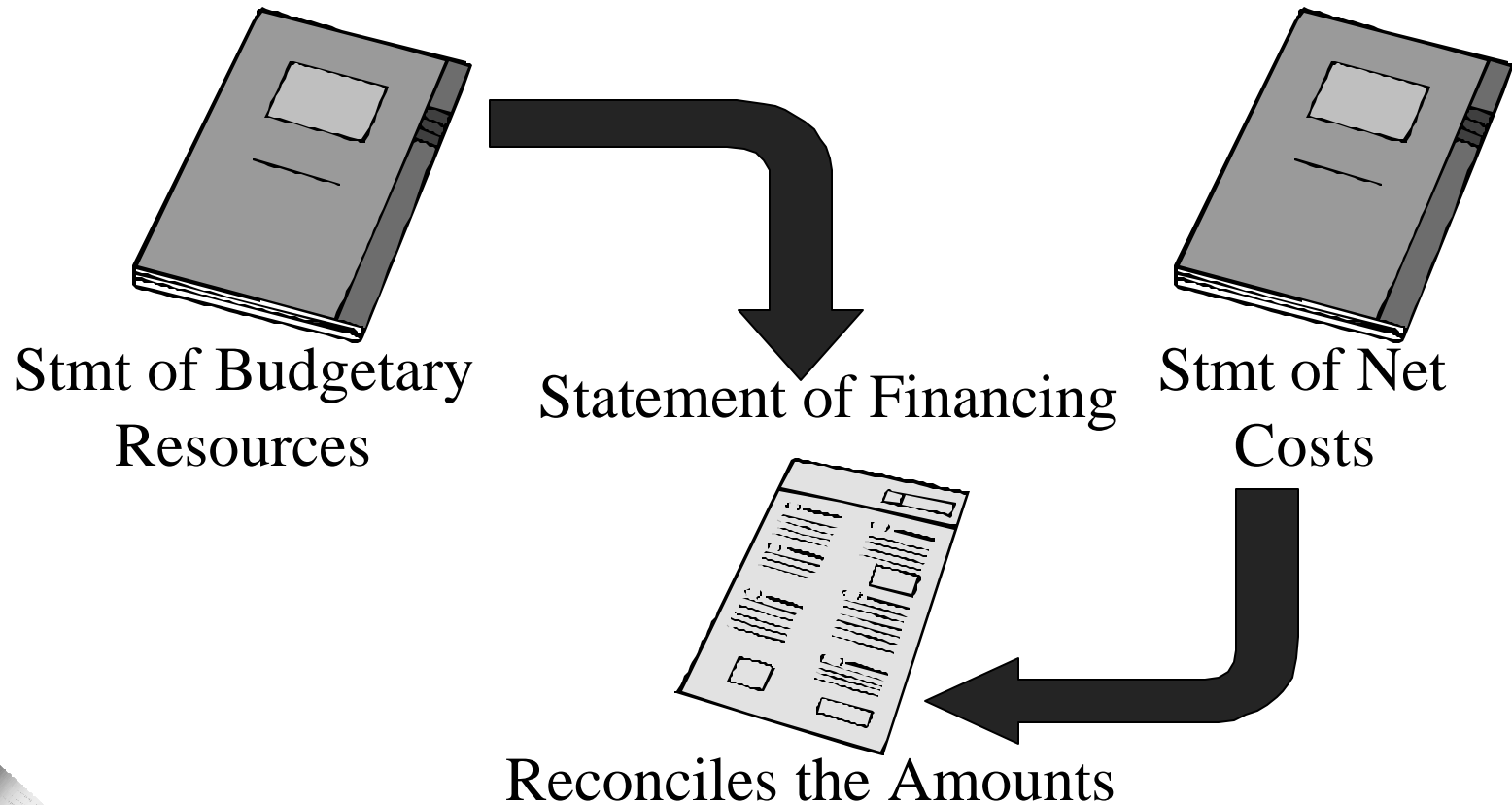


The Statement Of Financing Articulates The Relationship Between Net Obligations Derived From An Entity's Budgetary Accounts And Net Cost Of Operations Derived From The Entity's Proprietary Accounts By Identifying And Explaining Key Differences Between The Two Numbers

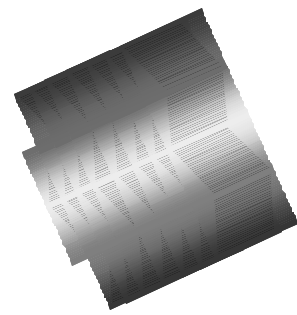


Related Reports

Statement of Financing

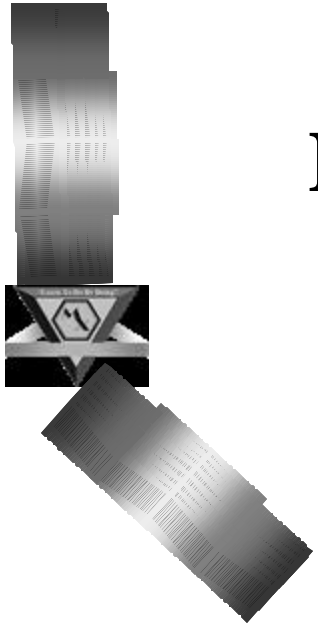


Challenge of the SOF



The SOF Requires Knowledge of Proprietary
and Budgetary Accounting Components and
the Interaction of the Standard General Ledger
Event Transactions

Know Everything and How It Works



Structure of SOF

SECTION 1: RESOURCES USED TO FINANCE ACTIVITIES

Budgetary

Other

SECTION 2: RESOURCES USED TO FINANCE ITEMS NOT PART OF THE NET COST OF OPERATIONS

Resources used that involve gross obligations or resources not reported in the Federal budget

Those involving recoveries and offsetting collection activity

SECTION 3: COMPONENTS OF NET COST OF OPERATIONS WHICH DO NOT GENERATE OR USE RESOURCES IN THE REPORTING PERIOD

Components requiring or generating resources in future periods

Components not requiring or generating resources

RESULT: NET COST OF OPERATIONS

Structure of SOF

SECTION 1: RESOURCES USED TO FINANCE ACTIVITIES

NET OBLIGATIONS Plus OTHER

SECTION 2: RESOURCES USED TO FINANCE ITEMS NOT PART OF THE
NET COST OF OPERATIONS

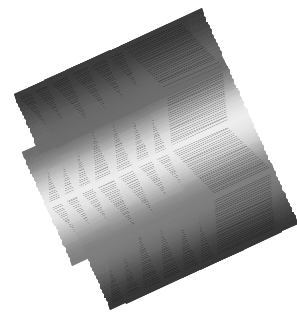
LESS: OBLIGATIONS THAT ARE NOT COSTS

SECTION 3: COMPONENTS OF NET COST OF OPERATIONS
WHICH DO NOT GENERATE OR USE RESOURCES IN THE REPORTING
PERIOD

PLUS: ITEMS THAT ARE COSTS WITHOUT OBLIGATIONS

RESULT: NET COST OF OPERATIONS (Equivalent Value)

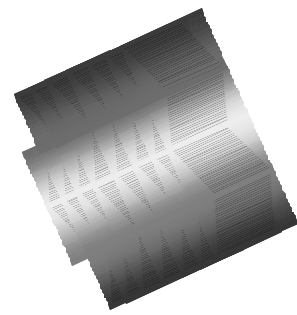
SECTION 1: RESOURCES USED TO FINANCE ACTIVITIES



- Gross Obligations (Line 8 from SBR)
 - Less: Recoveries of Authority
 - Less: Offsetting Collections of Cash
 - Less: Change in Budgetary Receivables
 - Less: Change in Unfilled Customer Orders
 - Less: Offsetting Receipts
- Equals Net Obligations



SECTION 1: RESOURCES USED TO FINANCE ACTIVITIES



- Gross Obligations (Line 8 from SBR)
 - Less: Recoveries of Authority
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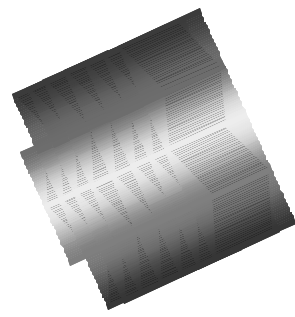
NOTES:

For Changes in Receivables and Unfilled Orders, These are Subtraction Lines, the Arithmetic Sign Used Would Be Opposite for the Change in the Item, an Increase will be a Minus, a Decrease will be a Plus.

Recoveries Must be Equal to Line 2, SBR
Changes in Collections, Receivables and Orders Must be Equal to Line 3D, SBR
Offsetting Receipts Must be Equal to Line 16, SBR

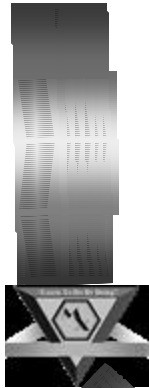


Plus Other

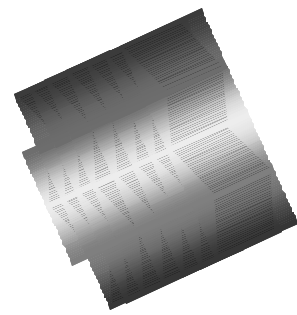


Other Resources

- Donations and Forfeitures of Property (SCNP Line 12)
- Transfers In/Out Without Reimbursement (SCNP Line 13)
- Imputed Financing from Costs Absorbed by Others (SCNP Line 14)
- Other (SCNP Line 15)

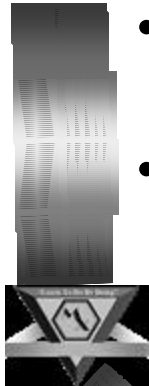


SECTION 2: RESOURCES USED TO FINANCE ITEMS NOT PART OF THE NET COST OF OPERATIONS

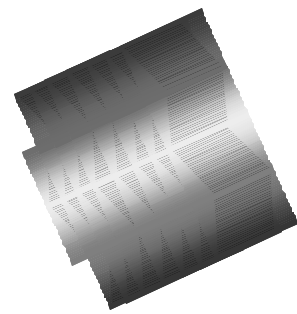


*Resources Used That Involve Gross Obligations Or
Resources Not Reported In The Federal Budget And Those
Involving Recoveries And Offsetting Collection Activity*

- Change In Budgetary Resources Obligated For Goods, Services, And Benefits Ordered But Not Yet Provided (Undelivered Orders)
 - Resources That Fund Expenses Recognized In Prior Periods (Decrease In Unfunded Liabilities)
 - Budgetary Offsetting Collections And Receipts That Do Not Affect Net Cost Of Operations (Non-exchange Revenues)
- Resources That Finance The Acquisition Of Assets (PPE)

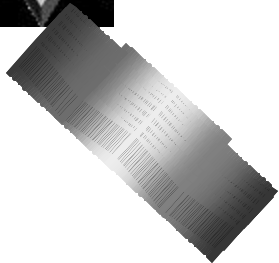
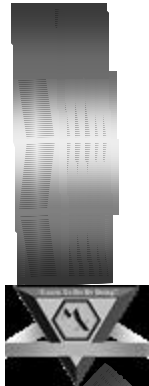


SECTION 3: COMPONENTS OF NET COST OF OPERATIONS WHICH DO NOT GENERATE OR USE RESOURCES IN THE REPORTING PERIOD

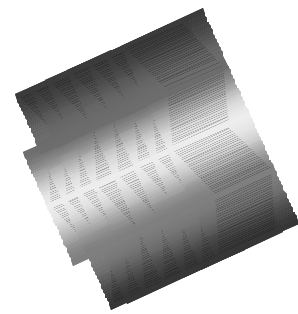


Components Requiring Or Generating Resources In Future Periods And Components Not Requiring Or Generating Resources

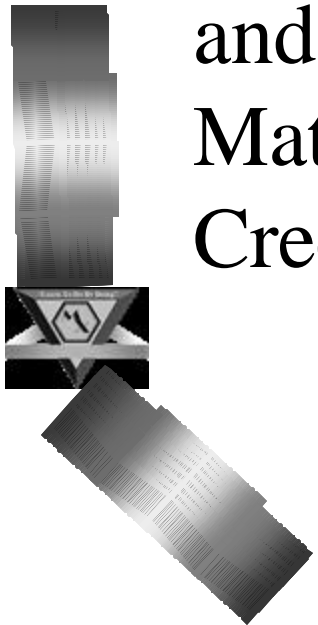
- Components Requiring Or Generating Resources In Future Periods (Increases In Unfunded Liabilities)
- Components Not Requiring Or Generating Resources (Depreciation)



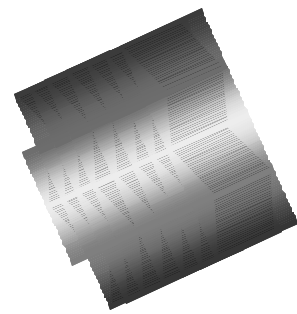
Key Concepts



- The SBR and SNC are Current Year Reports Containing Consolidated Data that Reflects the Ending Minus the Beginning Balances
- The SBR Obligations Have Credit Balances and SNC Expenses Have Debit Balances; Matching SBR to SNC Requires Matching Credits to Debits at Total Level



Bottom Line of SOF



- When Completed the SOF Results in the Credit Value of:

Net Cost of Operations

The Absolute Value Must Be Equal to the
Statement of Net Cost

